

# THE ECONOMIC IMPACT OF TRAVEL & TOURISM IN INDIANA

A Comprehensive Analysis

Prepared by:



In Partnership with:



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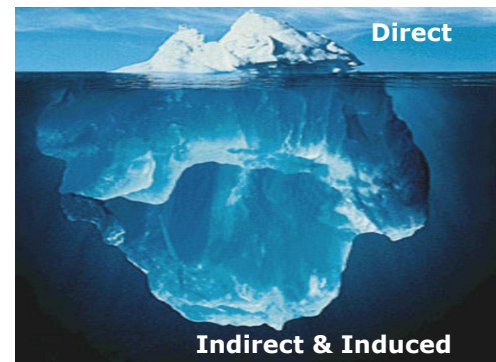
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## I. Methodology Overview

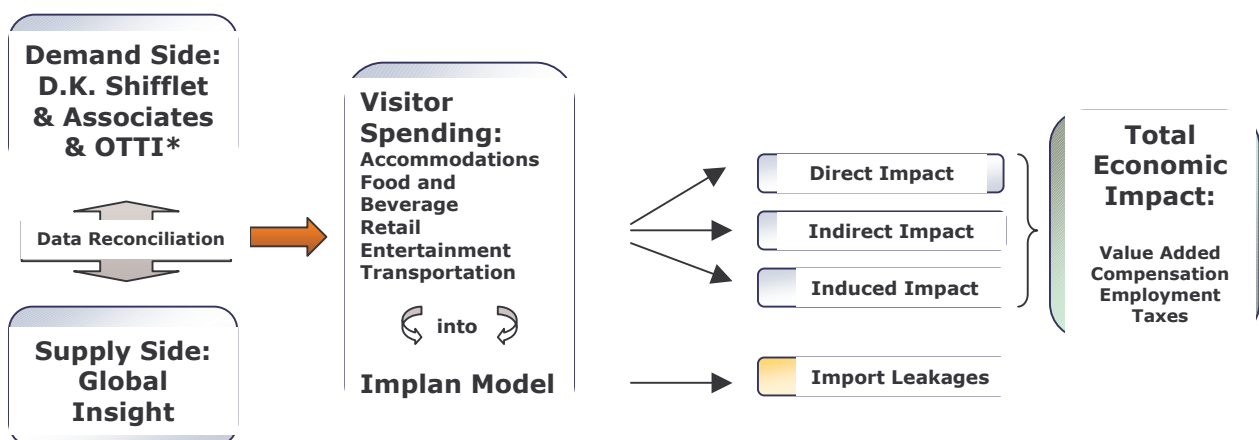
The purpose of this study is to estimate the economic benefits of travel & tourism to Indiana. Travelers are defined those who made an overnight trip or traveled in excess of 50 miles for a day-trip. The spending of visitors from international markets has also been included. The total economic impact of travelers is separated into three distinct parts: direct, indirect, and induced. The *direct* impacts represent the value added<sup>1</sup> of those sectors that interact directly with the visitor. The *indirect* impact represents the benefit to suppliers to those direct sectors. This would include, for example, Indiana-based food suppliers to a restaurant. The *induced* impact adds the impact of tourism-generated wages as they are spent in the Indiana economy. The image of the iceberg represents the various impacts of tourism. Those industries that are part of the direct tourism sector represent the impact that is visible, i.e. above the surface of the water. But below the surface, traveler spending generates wages, employment and taxes in a host of supporting industries. Although these are not seen, they are critical to understanding the full economic impact of tourism in Indiana.

Levels of Tourism Economic Impact



The economic impacts reported in this study are based on traveler spending as reported in D.K. Shifflet & Associates' *PERFORMANCE/Monitor*<sup>SM</sup> travel survey and Office of Travel and Tourism Industries data on international visitation. Global Insight cross-checked and augmented these data with its own 4-digit NAICS database on sales and employment by sector. The IMPLAN Input-Output economic impact model for Indiana was used to estimate the direct, indirect, and induced impacts.

Traveler spending exceeds the direct impact. This is because not all goods and services purchased by travelers are supplied by firms located in Indiana. The IMPLAN model accounts for import leakages to suppliers outside of Indiana.



\*OTTI: Office of Travel and Tourism Industries, U.S. Department of Commerce

<sup>1</sup> Value added of an industry is equal to the sum of wages, taxes, profits, and capital depreciation.

## II. Key Results

### A. EXECUTIVE SUMMARY

#### ***Spending by travelers in Indiana totaled \$8.91 billion in 2004.***

- In 2004 travelers spent \$1.35 billion on lodging, \$2.06 billion at restaurants, and \$5.50 billion on a broad range of goods and services including transportation, entertainment, and shopping.
- The economic impact (Gross State Product) of these expenditures totaled \$8.89 billion in 2004. This includes \$4.98 billion in direct economic impact, \$1.69 billion in indirect economic impact (supplier effect), and \$2.23 billion in induced economic impact (income effect).

#### ***Traveler spending supported 264,960 jobs and \$5.83 billion in wages in 2004.***

- Traveler spending supported 264,960 jobs in Indiana in 2004. Of these, 193,455 were directly employed by tourism sectors. Tourism generated an additional 27,717 indirect jobs and 43,789 induced jobs.
- Over \$3.37 billion in wages were generated as a direct result of tourism. An additional \$2.46 billion is attributed to indirect and induced wages.

#### ***Travelers generated federal, state, and local tax revenue totaling \$1.93 billion in 2004.***

- In 2004, spending by travelers in Indiana generated \$1.51 billion in federal taxes, \$308.2 million in state taxes and \$118.8 million in local taxes. County occupancy taxes alone paid by travelers totaled \$69.8 million.
- Tourism sales tax receipts tallied \$53.5 million in 2004.

#### ***In 2004, domestic markets comprised 95% of total visitor spending in Indiana with international markets comprising the remaining 5%.***

- The lion's share of spending in Indiana is generated from domestic visitors. \$8.49 billion of the \$8.91 billion in spending comes from domestic sources. Only \$421 million comes from international visitors.

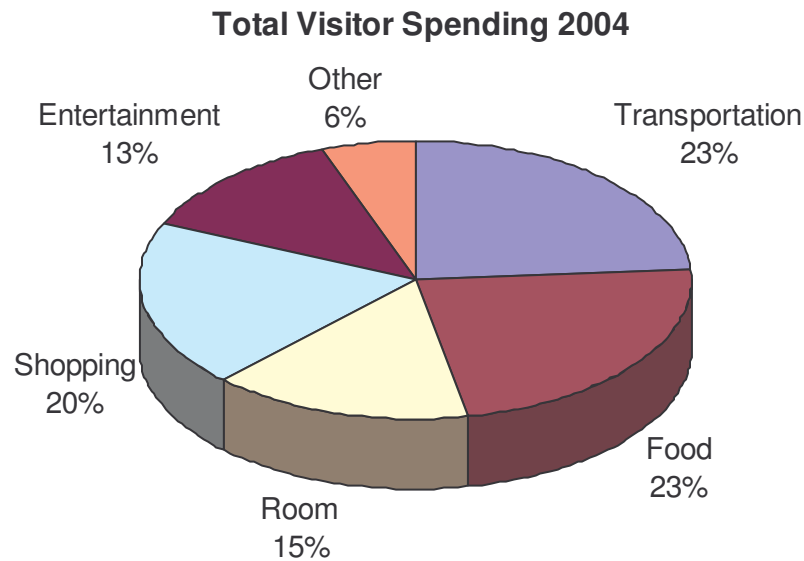
Indiana Tourism Economic Impact Summary				
<b>2004</b>				
Total Visitor Spending (\$)	8,912,267,000			
Domestic	8,491,162,000			
International	421,105,000			
State & Local Taxes (\$)	427,024,987			
Federal Taxes (\$)	1,507,579,836			
Total Taxes (\$)	1,934,604,823			
	Direct	Indirect	Induced	Total
Gross State Product (\$)	4,976,272,062	1,688,225,861	2,225,794,828	8,890,292,751
Jobs	193,455	27,717	43,789	264,960
Wages (\$)	3,367,501,850	1,018,310,638	1,442,546,458	5,828,358,946

## B. VISITOR SPENDING - STATE

Economic impact analysis begins with the demand side. That is, what are visitors to and within the State of Indiana spending on goods and services? It is this spending that generates all economic impacts as measured by production, wages, jobs and taxes.

Visitor spending tallied over \$8.91 billion in 2004. Transportation is the top category for visitor spending, including gas & tolls, aviation services, taxis, rental cars, etc. Spending on food, including restaurants and bars as well as grocery stores, comes in a close second.

Total Visitor Spending 2004							
(\$ millions)	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	2,126	2,063	1,354	1,741	1,134	495	8,912

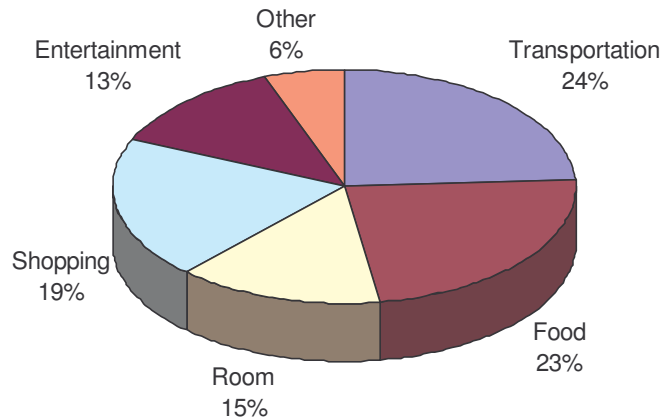


The vast majority of visitor spending in Indiana—nearly \$8.49 billion—comes from U.S. residents. The remaining \$421 million of tourism dollars comes from international visitors to the State.

### Domestic Visitor Spending 2004

(\$ millions)	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	2,064	1,971	1,234	1,655	1,095	472	8,491

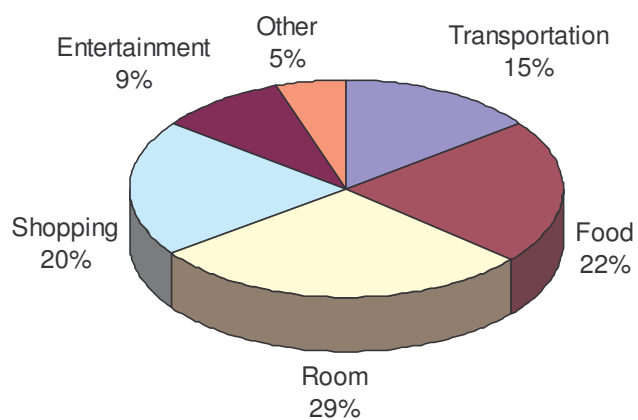
Domestic Visitor Spending 2004



## International Visitor Spending 2004

(\$ millions)	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	62	91	121	86	39	22	421

International Visitor Spending 2004





### C. TOURISM EMPLOYMENT

Tourism is even more important to the State in terms of jobs. Just over 10% of private jobs in the State are generated by tourism activity. 7.5% of all jobs are directly in tourism industries while the remainder are indirectly generated via supplier linkages and induced impacts. Tourism employment in 2004 is 264,960.

<b>Tourism Employment: Total Travel</b>				
<b>2004</b>				
<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Agricultural	-	1,095	407	1,502
Mining	-	50	25	74
Utilities	-	267	197	464
Construction	-	844	225	1,069
Manufacturing	418	1,998	1,618	4,034
Wholesale Trade	-	1,476	1,281	2,758
Air Transport	4,016	16	21	4,052
Other Transport	20,253	1,388	467	22,108
Retail Trade	46,557	793	6,420	53,770
Communications	-	494	509	1,002
Finance & Insurance	-	4,143	3,298	7,441
Business Services	-	8,856	2,665	11,522
Amusement & Recreation	19,886	1,215	1,463	22,564
Accommodations	31,041	179	423	31,644
Eating and Drinking Places	62,107	2,231	6,293	70,631
Other Services	9,176	1,612	12,015	22,803
Owner-occupied Dwellings	-	-	949	949
State & Local Government	-	1,062	5,512	6,574
Federal Government	-	-	-	-
<b>Total</b>	<b>193,455</b>	<b>27,717</b>	<b>43,789</b>	<b>264,960</b>

Direct tourism employment is shown in the following table in comparison with direct employment in other key, non-government, industries in Indiana. Tourism comprises 7.5% of total private-sector employment in the community and is the number six job source. Note that in following table, travel and tourism employs 193,455 people. These jobs are not netted out of the other categories. One way of reading this table is to say that "Travel and tourism as a sector employs 193,455 people. The Retail Trade industry, in total, including tourism-related jobs, employs 332,081 people."

## Indiana Employment Ranking

2004			
Ranking	Industry	Private Sector Non-Ag Employment	% of Private Non-Ag Employment
1	Manufacturing	572,284	22.2%
2	Retail Trade	332,081	12.9%
3	Health Care & Social Assistance	307,605	11.9%
4	Leisure & Hospitality	274,383	10.6%
5	Professional & Business Services	266,040	10.3%
6	Construction	148,055	5.7%
7	Wholesale Trade	119,213	4.6%
8	Transportation & Warehousing	110,671	4.3%
9	Misc. Personal Services (Maintenance, Laundry, etc)	109,377	4.2%
10	Finance & Insurance	104,141	4.0%
	All Other	235,464	9.1%
<b>Total</b>		<b>2,579,314</b>	<b>100.0%</b>
	<b>Travel &amp; Tourism *</b>	<b>193,455</b>	<b>7.5%</b>

\* Travel & Tourism employment is derived from other sectors, including leisure & Hospitality, Retail Trade and others. If listed independently, it would rank ahead of Construction and behind Professional & Business Services in terms of share of Indiana non-agricultural employment.

## D. TOURISM WAGES

Tourism-generated wages exceeded \$5.83 billion in 2004, or 4.4% of all wages in Indiana. The majority of this sum - \$3.37 billion - was in direct tourism sectors.

<b>Tourism Wages: Total Travel</b>				
<b>\$, 2004</b>				
<b>Industry</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Agricultural	-	8,283,945	3,376,998	11,660,944
Mining	-	1,240,924	736,631	1,977,555
Utilities	-	28,091,792	20,728,276	48,820,068
Construction	-	35,466,280	9,467,811	44,934,091
Manufacturing	18,477,770	124,024,765	106,335,240	248,837,775
Wholesale Trade	-	79,672,904	69,155,632	148,828,536
Air Transport	254,344,736	997,530	1,300,347	256,642,614
Other Transport	465,690,720	104,366,616	38,390,260	608,447,596
Retail Trade	902,060,352	25,739,183	208,208,400	1,136,007,935
Communications	-	24,478,091	25,291,376	49,769,467
Finance & Insurance	-	139,176,284	118,871,949	258,048,234
Business Services	-	319,943,519	100,749,911	420,693,430
Amusement & Recreation	413,146,560	19,404,138	27,479,703	460,030,402
Accommodations	484,721,376	2,792,733	6,611,144	494,125,253
Eating and Drinking Places	647,783,488	23,273,918	65,635,924	736,693,330
Other Services	181,276,848	37,646,219	407,122,114	626,045,181
Owner-occupied Dwellings	-	-	6,114,565	6,114,565
State & Local Government	-	43,711,796	226,970,176	270,681,972
Federal Government	-	-	-	-
<b>Total</b>	<b>3,367,501,850</b>	<b>1,018,310,638</b>	<b>1,442,546,458</b>	<b>5,828,358,946</b>

## E. TOURISM TAX IMPACT

The economic impact of tourism also translates into tax revenue at the federal, state and local levels. As shown below, tourism generated \$1.93 billion in total taxes in 2004. We estimate that \$1.51 billion went to the federal government; \$308 million to the State and \$118.8 million went to local / county governments.

***Each household in Indiana benefited by \$828 in tax savings, as a result of Travel & Tourism in 2004.***

Social insurance tax and personal income tax are the largest source of revenue at the federal level. They generated \$607 million and \$593 million respectively in 2004. Personal income tax also contributed \$120.6 million at the state level in 2004. County occupancy tax is the largest sources of local tax revenue with \$69.9 million.

<b>Federal, State, and Local Taxes Paid: Total Travel</b>	
<b>Tax Revenues from Tourism</b>	
<b>Federal Government</b>	
Corporate Income	\$132,584,166
Personal Income	\$593,052,162
Excise & Fees	\$174,504,320
Social Security & Other Taxes	\$607,439,188
<b>Federal Total</b>	<b>\$1,507,579,836</b>
<b>State Government</b>	
Corporate Income	\$58,215,773
Personal Income	\$120,559,943
Sales	\$53,473,604
Excise & Fees	\$57,568,230
Social Security & Other Taxes	\$18,425,696
<b>State Total</b>	<b>\$308,243,246</b>
<b>Local Government</b>	
Occupancy Tax	\$69,868,109
Property Taxes	\$10,534,813
Excise & Fees	\$38,378,820
<b>Local Total</b>	<b>\$118,781,742</b>
<b>Grand Total</b>	<b>\$1,934,604,823</b>